

Message Text

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21

ACTION EA-14

INFO OCT-01 EUR-25 NEA-14 ISO-00 AF-10 IO-14 CIAE-00

DODE-00 PM-07 H-03 INR-11 L-03 NSAE-00 NSC-07 PA-04

RSC-01 PRS-01 SP-03 SS-20 AID-20 EB-24 CIEP-03

TRSE-00 STR-08 OMB-01 CEA-02 COME-00 FRB-03 XMB-07

OPIC-12 LAB-06 SIL-01 FEA-02 INT-08 SCI-06 AGR-20

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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC IMMEDIATE 4202

INFO AMEMBASSY TEHRAN

AMEMBASSY WELLINGTON

CINCPAC

USMISSION OECD PARIS

C O N F I D E N T I A L CANBERRA 6482

CINCPAC ALSO FOR POLAD

E.O. 11652: GDS

TAGS: PFOR, AS, IR

SUBJECT: FURTHER COMMENTS ON VISIT TO AUSTRALIA OF SHAH OF IRAN

REFS: (A) CANBERRA 6323 (NOTAL); (B) CANBERRA 6351 (NOTAL)

1. FOLLOWING ARE SUPPLEMENTAL COMMENTS ON SHAH'S VISIT TO AUSTRALIA BASED ON CONVERSATION I HAD WITH SHAH SEPT. 26, WITH RICHARD WOOLCOTT (DEPUTY SECRETARY, DFA) SEPT. 30, AND WITH IRANIAN AMBASSADOR HOSSEIN T. ESHRAGHI OCT. 2 IMMEDIATELY UPON HIS RETURN FROM ACCOMPANYING SHAH TO NEW ZEALAND.

2. INDIAN OCEAN: DURING MY 15-MINUTE CONVERSATION ALONE WITH SHAH AT GOVERNOR-GENERAL'S RECEPTION, SHAH EXPRESSED VIEW THAT
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INDIAN OCEAN WAS PRIMARILY THE RESPONSIBILITY OF LITTORAL STATES;

IT IS UP TO THEM TO ACT COLLECTIVELY, MAINTAIN SECURITY AND CARRY OUT OTHER RESPONSIBILITIES, INCLUDING CALLING UPON SUPER-POWERS TO CALL OFF THEIR NAVAL COMPETITION IN INDIAN OCEAN AND EVENTUALLY REDUCE THEIR PRESENCE THERE. SHAH SPOKE FIRMLY OF THE NEED FOR US TO MAINTAIN ENOUGH NAVAL FORCE IN INDIAN OCEAN RIGHT NOW TO COUNTERBALANCE SOVIET POWER AND, IN FACT, DIEGO GARCIA BASE NECESSARY TO MAINTAIN DESIRED BALANCE. SHAH DID NOT SEE IOZP AS BEING DIRECTED AGAINST US; ON CONTRARY, HIS DESIGN WAS TO CHECK SOVIET BUILD-UP AND, UNDER PRESSURES FROM INDIAN OCEAN NATIONS, TO BRING ABOUT AN EVEN-HANDED REDUCTION OF SOVIET AND US FORCES. HE THOUGHT THIS ENTIRELY CONSISTENT WITH US AIMS. IN RESPONSE TO MY QUESTION, HE SAID THERE HAD BEEN NO DIFFERENCES ON THIS ISSUE BETWEEN HIM AND PRIME MINISTER WHITLAM. HE FELT THAT WHITLAM'S VIEWS HAD MODERATED ON THIS ISSUE IN RECENT WEEKS, TO WHICH I RESPONDED THAT INDIAN NUCLEAR EXPLOSION HAD CAUSED MAJOR SHOCK WAVES IN CANBERRA.

3. AMBASSADOR ESHRAGHI AND DICK WOOLCOTT SEPARATELY MENTIONED TO ME THAT SHAH AND WHITLAM DISCUSSED INDIAN OCEAN WITH NO OTHERS PRESENT AND THERE IS NO WRITTEN RECORD OF WHAT TRANSPIRED. ESHRAGHI COMMENTED THAT HE DOUBTED SHAH OR HIS GOVERNMENT HAD CLEAR IDEA OF HOW TO PROCEED WITH ESTABLISHING ORGANIZATION OR CONSULTATIVE MECHANISM AMONG INDIAN OCEAN LITTORAL COUNTRIES. FURTHERMORE, SOVIET AND US NAVIES OBVIOUSLY CANNOT BE EXCLUDED FROM INDIAN OCEAN AND ANY REDUCTION WOULD HAVE TO BE BALANCED. HE STRONGLY SUPPORTED THE SHAH'S VIEW THAT US CANNOT BE BLAMED FOR SEEKING TO REINFORCE ITS POSITION IN THE AREA IN VIEW OF SUPERIOR SOVIET BASES AND NUMBER OF NAVAL VESSELS. ESHRAGHI DID NOT FEEL, CONTRARY TO WHAT SHAH HAD TOLD ME, THAT WHITLAM AGREED WITH SHAH'S VIEWPOINTS ON ALL THESE ISSUES. HE SUSPECTS THAT WHITLAM IS AT HEART CRITICAL OF AMERICAN PLANS FOR DIEGO GARCIA, BUT DID NOT WISH TO GET INTO ANY ARGUMENTS ON THIS SCORE WITH THE SHAH. (I AGREE WITH ESHRAGHI'S EVALUATION, NOTING ALSO THAT WHITLAM LIKELY TO EXERCISE PARTICULAR CARE IN VIEW OF HIS FORTH-COMING TRIP TO WASHINGTON.)

4. ECONOMIC TIES: WOOLCOTT TOLD ME THAT WHITLAM HAD BEEN PLEASED WITH SHAH'S DESIRE FOR IMPROVED TRADING AND INVESTMENT RELATIONS BETWEEN AUSTRALIA AND IRAN, PARTICULARLY SHAH'S INTEREST IN INVESTING IN AUSTRALIA THROUGH AUSTRALIAN INDUSTRIAL DEVELOPMENT

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CORP. WOOLCOTT ASSUMED THAT SHAH AND WHITLAM HAD DISCUSSED IRANIAN OIL EXPORTS AND OIL PRICING, BUT THERE WAS NO RECORD OF ANY SUCH DISCUSSION. ON THESE POINTS ESHRAGHI COMMENTED THAT, AS FAR AS HE KNEW, THERE HAD BEEN NO DISCUSSION OF OIL OR OIL PRICING (ALTHOUGH SHAH DID DISCUSS THIS IN NEW ZEALAND). HE SAID FOCUS HAD BEEN ON IRANIAN INVESTMENTS IN AUSTRALIA AND AUSTRALIAN EXPORTS OF IRON ORE, BAUXITE, WHEAT AND BEEF TO IRAN. ESHRAGHI ALSO POINTED OUT THAT IRANIAN INVESTMENT IS TO TAKE THE FORM

OF JOINT VENTURES IN WHICH IRAN WILL NOT HAVE CONTROLLING SHARE AND WOULD FUNNEL ITS CAPITAL THROUGH AIDC. HOWEVER, THESE ISSUES WERE DISCUSSED IN GENERAL TERMS; DETAILS REMAIN TO BE WORKED OUT. (REFTEL (B) SETS FORTH TERMS OF AUSTRALIAN-IRANIAN TRADE AGREEMENT AND OUR COMMENTS.)

5. SHAH'S NATIONAL PRESS CLUB SPEECH: BOTH WOOLCOTT AND ESHRAGHI EXPRESSED DISAPPOINTMENT OVER WAY PRESS REPORTED SHAH'S APPEARANCE BEFORE NATIONAL PRESS CLUB. TO READ LOCAL AND INTERNATIONAL WIRE SERVICE ACCOUNTS, ONE WOULD ERRONEOUSLY CONCLUDE THAT SHAH WAS OUTSPOKENLY CRITICAL OF US FOR PRESSURING IRAN TO REDUCE OIL PRICES; WHEREAS, IN FACT, SHAH SPOKE OF HIS HIGH REGARD FOR US AND HIS CRITICAL REMARKS ON US "PRESSURES" WERE IN RESPONSE TO A QUESTION STATING THAT USG REPORTEDLY HAD WARNED IRAN ABOUT FIXING HIGH PRICES. (WE WILL BE SENDING IN FULL TEXT OF PRESS CONFERENCE WHEN RECEIVED.) FURTHERMORE, PRESS DID NOT EVEN MENTION WHAT SHAH HAD SAID WITH REGARD TO DIEGO GARCIA. AS I RECALL IT, HE EXPRESSED THE VIEW HE COULD WELL UNDERSTAND US DESIRE TO MOVE AHEAD WITH IMPROVING THIS FACILITY.
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